

Message Text

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ACTION NEA-10

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E.O. 11652: N/A
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SUBJ: DEPRIMIN AND MINPLANNING ON FINANCIAL SITUATION, FIVE-YEAR
PLAN

1. DEPRIMIN KAISOUNI, IN PRESS INTERVIEW AUGUST 16
FOLLOWING GOE ECONOMIC GROUP MEETINGS ON BUDGET AND FIVE-
YEAR PLAN THAT DAY, TOOK UPBEAT VIEW OF EGYPTIAN FINANCIAL
AND ECONOMIC POSITION THROUGH 1980 HE NOTED ECONOMY WILL
CONTINUE TO IMPROVE IN 1978 AND THAT THERE ARE POSITIVE
INDICATIONS THAT ECONOMIC CRISIS WILL BE WELL ALONG TOWARD
RESOLUTION BY 1980. (NOTE: KAISOUNI TOLD AMBASSADOR
RECENTLY, HOWEVER, THAT HE PREFERENCES TO AIM FOR 1981 AS
TERMINAL PERIOD FMR CRISIS AND IS ATTEMPTING TO EDUCATE
GOE, INCLUDING PRESIDENT SADAT, TO USE THAT DATE IN ITS
PROJECTIONS.)

2. CITING A NUMBER OF FIGURES HERE AND THERE, DEPRIMIN
ANNOUNCED 1978 BUDGET WILL SHOW INCREASE OF INVESTMENT
FUNDS TO LE 1,800 MILLION FROM 1,500 MILLION, NOT
INCLUDING EXPECTED LE 400 MILLION POUNDS EQUIVALENT
IN FOREIGN CURRENCY FOR PETROLEUM SECTOR. ADDITIONALLY,
HE NOTED FOREIGN INVESTORS ARE SCHEDULED TO SPEND ABOUT
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LE 1,550 MILLION DURING FIVE-YEAR PLAN PERIOD (1976-1980);
ACCORDING KAISOUNI, LE 335 MILLION WAS PENDT FROM THIS
SOURCE IN 1975 -1976. COMMENTING ON PRIVATE SECTOR, HE
SAID EGYPTIAN INVESTORS ALONE OR IN JOINT VENTURE OPERATIONS
WILL COMMIT LE 500 MILLION (TIME PERIOD NOT SPECIFIED, BUT
PRESUMABLY 1978).

3. PRIORITIES FOR 1978 PLANNING/BUDGET WERE LISTED AS FOLLOWING: (A) FOOD SUPPLIES AND HOUSING; (B) BASIC UTILITIES, I.E., INFRASTRUCTURE; (C) PROJECTS WHICH INCREASE PRODUCTION; (AND (D) RAISING OUTPUT IN EXISTING PRODUCTION AREAS. DR. KAISOUNI ALSO NOTED THAT OIL EXPORTS IN COMING YEAR ARE EXPECTED TO REACH VALUE OF \$750 MILLION , AN INCREASE OF \$225 MILLION OVER 1977 TOTAL. FIGURE HE CITED FOR 1978 TRANSFERS BY EGYPTIANS WORKING ABROAD IS \$480 MILLION.

4. REMARKS BY DEPRIMIN INCLUDED ASSURANCE EGYPT WILL SETTLE ALL DEBTS COMING DUE, WITH EXCEPTION OF COMMITMENTS TO SOVIET UNION WHICH ARE CONSIDERED "SUSPENDED FOR THE TIME BEING" HE SAID REPAYMENT OF ARAB BANK DEPOSITS ALSO WILL BE POSTPONED " UNTIL THE ECONOMIC CRISIS IS OVER". IN REFERENCE TO USAID, DR. KAISOUNI NOTED TOTAL WILL REACH \$1,000 MILLION IN 1976, DIVIDED INTO ONE-HALF FOR CONSUMER GOODS AND ONE HALF FOR DEVELOPMENT INVESTMENT; SIMILAR DIVISION, ACCORDING DEPRIMIN, APPLIES TO OTHER BILATERAL AND INSTITUTIONAL ASSISTANCE PROGRAMS.

5. MINPLANNING ABDEL MEGUID IS REPORTED SEPARATELY BY PRESS AS ANNOUNCING THAT DETAILS OF FIVE-YEAR PLAN, AS WELL AS 1978 BUDGET, ARE EXPECTED TO BE PUBLISHED IN FINAL FORM BY END OF NEXT WEEK (I.E., BEFORE END OF LIMITED OFFICIAL USE

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AUGUST). ABDEL MEGUID SAID TOTAL FIVE -YEAR PLAN INVESTMENT IS BEING RAISED FROM LE 10,637 MILLION TO LE 11,769 MILLION. BOE INVESTMENT EVIDENTALLY TOTALS FAMILIAR FIGURE OF LE 8,000 MILLION, HOWEVER, WITH REMAINDER ALLOCATED TO EGYPTIAN PRIVATE SECTOR AND FOREIGN INVESTORS. BREAKDOWN OF SCHEDULED INVESTMENTS AS SET FORTH BY ABDEL MEGUID , ACCORDING PRESS, INDICATES SIGNIFICANT RESOURCES WILL BE DEVOTED TO RANGE OF ACTIVITIES, SUCH AS TELECOMMUNICATIONS, AGRICULTURE, HOUSING , TRANSPORT AND POWER. DETAILED INFORMATION ON SECTORIAL ALLOCATION IS NOT AVAILABLE.

6. COMMENT: PRESS IN RECENT DAYS HAS TAKEN TO REFERRING TO THREE-YEAR DEVELOPMENT PLAN (1978-1980), VICE FIVE YEAR. MINPLANNING UNDERSEC TOLD EMBOFF AUGUST 16 THAT SUCH PHRASEOLOGY DOES NOT INDICATE CHANGE IN PLANNING EFFORT, BUT RATHER IS DE FACTO ACKNOWLEDGEMENT OF TIME ALREADY ELAPSED IN LONG-DELAYED PLAN FRAMEWORK. GOE OFFICIAL NOTED HIS MINISTRY IS STILL PREPARING FIVE YEAR DOCUMENT AND THAT PLAN, WHEN PUBLISHED, AND ESPITE CONSIDERATION OF CHANGING CONCLUDING YEAR TO 1982, WILL HAVE 1980 AS CUTOFF DATE. WHETHER PLAN EVENTUALLY WILL BE CALLED FORMALLY A THREE-YEAR

PLAN WILL BE DECISION OF CABINET AND PEOPLE'S ASSEMBLY.
MINPLANNING UNDERSEC, APPARENTLY IN UNKNOWING CONTRADICTION
TO DR. ABDEL MEGUID, TOLD US DOCUMENT WILL BE RELEASED IN
FINAL FORM WITHIN SIX WEEKS.

7. REFERENCE TO "SUSPENSION" OF PAYMENTS ON SOVIET DEBT IS
FIRST SUCH COMMENT FROM DEPRIMIN, WHO ACKNOWLEDGED AS
RECENTLY AS IBRD CG MEETING AT PARIS IN MAY THAT OBLIGATIONS
TO USSR EXISTED AND HAD TO BE SERVICED.
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